



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
FORMER CHRISTIAN COUNTY  
SHERIFF'S SETTLEMENT - 1997 TAXES**

**As of August 25, 1998**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Steve Tribble, County Judge/Executive

Honorable William E. Gloyd, Christian County Sheriff

Honorable Thomas E. Scillian, Former Christian County Sheriff

Members of the Christian County Fiscal Court

### Independent Auditor's Report

We have audited the former Christian County Sheriff's Settlement - 1997 Taxes as of August 25, 1998. This tax settlement is the responsibility of the former Christian County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The former Sheriff prepared his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former Christian County Sheriff's taxes charged, credited, and paid as of August 25, 1998, in conformity with the basis of accounting described in the preceding paragraph.

Based on the results of our audit, we have presented a schedule of Comment and Recommendation, included herein, which discusses the following area of noncompliance.

- The Former Sheriff Should Have Had A Written Agreement To Protect Deposits

To the People of Kentucky

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Members of the Christian County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated June 4, 1999, on our consideration of the former Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -

June 4, 1999

CHRISTIAN COUNTY  
THOMAS E. SCILLIAN, FORMER SHERIFF  
SHERIFF'S SETTLEMENT - 1997 TAXES

As of August 25, 1998

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,314,877	\$ 617,825	\$ 4,171,746	\$ 1,876,754
Tangible Personal Property	207,287	58,920	495,500	595,508
Intangible Personal Property				312,343
Fire Protection	1,641			
Franchise Corporation	78,062	24,712	158,622	
Unmined Coal	373	157	1,215	560
Limestone, Sand, and Gravel Reserves	887	372	2,879	1,323
Supplemental Billings	1,067	518	3,492	1,617
Omitted Unmined Coal	2,497	1,001	5,247	4,877
Bank Franchise	112,965			15,703
Penalties	8,236	3,926	24,513	12,625
Adjusted to Sheriff's Receipt	1,975	839	6,250	2,815
	<u>\$ 1,729,867</u>	<u>\$ 708,270</u>	<u>\$ 4,869,464</u>	<u>\$ 2,824,125</u>
<u>Credits</u>				
Discounts	\$ 23,153	\$ 10,079	\$ 70,660	\$ 43,707
Exonerations	14,219	6,015	44,133	43,958
Exoneration-Omitted Unmined Coal	66	24	93	125
Delinquents:				
Real Estate	32,312	17,190	102,348	46,042
Tangible Personal Property	581	165	1,388	1,352
Intangible Personal Property				154
Omitted Unmined Coal	82	33	182	162
	<u>\$ 70,413</u>	<u>\$ 33,506</u>	<u>\$ 218,804</u>	<u>\$ 135,500</u>
Total Credits				
	<u>\$ 70,413</u>	<u>\$ 33,506</u>	<u>\$ 218,804</u>	<u>\$ 135,500</u>
Net Tax Yield	\$ 1,659,454	\$ 674,764	\$ 4,650,660	\$ 2,688,625
Less: Commissions *	70,814	28,677	139,520	114,554
	<u>\$ 1,588,640</u>	<u>\$ 646,087</u>	<u>\$ 4,511,140</u>	<u>\$ 2,574,071</u>
Net Taxes Due				
Taxes Paid	1,587,432	645,830	4,508,835	2,561,357
Refunds (Current and Prior Year)	814	324	2,370	12,708
	<u>\$ 1,588,640</u>	<u>\$ 646,087</u>	<u>\$ 4,511,140</u>	<u>\$ 2,574,071</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 394</u>	<u>\$ (67)</u>	<u>\$ (65)</u>	<u>\$ 6</u>

\* and \*\* See Page 4

CHRISTIAN COUNTY  
THOMAS E. SCILLIAN, FORMER SHERIFF  
SHERIFF'S SETTLEMENT - 1997 TAXES  
As of August 25, 1998  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	5,012,843
3% on	\$	4,650,660

\*\* Special Taxing Districts:

Health District	\$	(7)
Extension District		(3)
West Fork Watershed District		(8)
East Fork Watershed District		(52)
Tradewater Watershed District		3

Due Districts or (Refunds Due Sheriff)	\$	<u>(67)</u>
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The accompanying notes are an integral part of the financial statement.



CHRISTIAN COUNTY  
NOTES TO FINANCIAL STATEMENT

As of August 25, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The depository institution pledged securities of \$8,200,000. However, the depository institution's board of directors or loan committee did not approve the pledge agreement. In addition, the depository institution did not have a written agreement with the former Sheriff.

CHRISTIAN COUNTY  
NOTES TO FINANCIAL STATEMENT  
As of August 25, 1998  
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1997. Property taxes were billed to finance governmental services for the year ended June 30, 1998. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 23, 1997 through March 31, 1998.

Note 4. Interest Income

The Christian County Sheriff earned \$23,793 as interest income on 1997 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

CHRISTIAN COUNTY  
THOMAS E. SCILLIAN, FORMER SHERIFF  
COMMENT AND RECOMMENDATION

As of August 25, 1998

STATE LAWS AND REGULATIONS:

The Former Sheriff Should Have Had A Written Agreement To Protect Deposits

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The former Sheriff had a bank balance of \$7,662,790; FDIC insurance of \$117,644; and securities pledged of \$8,200,000 as of December 12, 1997. Even though the former Sheriff obtained pledged securities of \$8,200,000, the pledged agreement was not approved by the board of directors of the depository institution or its loan committee nor evidenced by a written agreement. We recommend the Sheriff enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. subsection 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*Management's Response:*

*Written agreement signed July 98.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Steve Tribble, County Judge/Executive  
Honorable William E. Gloyd, Christian County Sheriff  
Honorable Thomas E. Scillian, Former Christian County Sheriff  
Members of the Christian County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the former Christian County Sheriff's Settlement - 1997 Taxes as of August 25, 1998, and have issued our report thereon dated June 4, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Christian County Sheriff's Settlement - 1997 Taxes as of August 25, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Christian County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Steve Tribble, County Judge/Executive  
Honorable William E. Gloyd, Christian County Sheriff  
Honorable Thomas E. Scillian, Former Christian County Sheriff  
Members of the Christian County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
June 4, 1999



